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ABSTRACT

Executive Link is a group of farm businesses that meet for regular nonformal education and training in several chapters in eastern Australia. Each chapter consists of a number of boards, each made up of around six member farm businesses. The boards provide management advice to their members, who are free to accept or reject that advice. A study of the group revealed generally applicable prerequisites for developing a support capacity: 1) high level of individual members' personal self-confidence and high level of interpersonal communication skills; 2) getting to know each other as individuals, developing shared values and trust; 3) coming to regard each other as credible sources of support and advice; and 4) commitment to the board and fellow members. As they learn together, members generate horizontal social capital that is used as members make changes to their businesses. Executive Link is an example of a learning community that achieves positive economic outcomes because it is adaptable and willing to change. Member businesses are more resilient because the group acts as a support network that assists businesses as they make changes to take advantage of opportunities and minimize threats. Change processes draw on the social capital of the learning community--members are committed to the group, and there is a norm of reciprocity that leads to spontaneous actions for the benefit of others. (TD)

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Support networks and trust: how social capital facilitates learning outcomes for small businesses

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LEARNING, CHANGE AND ECONOMIC OUTCOMES

There is considerable interest in ways in which individuals, enterprises, industries, communities and society as a whole can be encouraged to be responsive and adaptable in the face of a wide range of opportunities and threats. Government is interested in how individuals and communities can be resilient in the face of economic threats such as the loss of a major employer and how industries can respond to opportunities and threats. Businesses of all sizes are urged to take advantage of opportunities arising from changes in domestic and global markets.

Adaption and change are learning processes during which people, individually and as groups (including organisations and communities), develop new knowledge, skills and values. The role of formalised learning in the form of education and training in those functions which require adaption to change is well established (Kilpatrick, 1996; Bartel and Lichtenberg, 1987).

Work on the learning society emphasises the link between learning and responsiveness to change (Young, 1995). The literature on learning organisations recognises that organisations adapt and grow through learning (Senge, 1993). Change is a cumulative process which builds on existing knowledge and practices through interactive learning. Organisations which adapt and change as a result of interactive learning activities are learning organisations.

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Social capital, learning and change

Economics explains how goods and services are produced by enterprises using physical capital and human capital. Recent work suggests that human capital works more effectively in conjunction with social capital, where social capital is the networks, norms or values and trust or commitment that is present in a group, community or society (Putnam, 1993; Coleman, 1988). Better outcomes result when people use their knowledge and skills along with the knowledge and skills of others, through interactions which use networks, shared values and the commitment of others to the group. Putman's (1993) study of Italy found that regions with a large number of small firms which engaged in a mix of competition and cooperation, where there was a high level of horizontal integration, were economically successful. The flexibility that came from high horizontal and low vertical integration in the economy allowed the firms and their regions to succeed in a fast-moving economic world.

Small farm businesses, learning and change

In this chapter we examine a group of farm businesses who learn together with the objective of making changes in their businesses. We explore whether a social capital framework can help explain the processes whereby their learning results in changes in their businesses.

Individual farms have small workforces, with consequently limited opportunities for interactive learning within the 'organisation' Small family farm businesses, with single or dual operators comprise 74% of all Australian farm businesses. They are less likely to make changes to farming practices than those with larger management teams (Kilpatrick, 1996). The farm businesses which are the subject of this study seek interactive learning opportunities outside the business. The changes which they make are an outcome of both the knowledge and skills within an individual business and the use of the knowledge and skills of others.

Groups and support

The knowledge and skills of other farm businesses are accessed through an informal group support network, which is developed through participation in structured group activities. There is a large body of literature about how effective groups are created (for example, Corey & Corey, 1997. This literature concentrates on the stages of group development, and the

characteristics that lead to effective groups, such as cohesion, atmosphere, leadership, rules and procedures and group norms, and on interventions that improve group effectiveness in achieving group goals. There is literature about 'in-group' support of members. There is little literature which discusses how formal groups influence or support their members beyond or outside the group structure.

Theories of group development divide the behaviour of groups over time into between three and six phases. The first phase is 'hesitation and testing' or 'forming'. Middle phases are labelled 'conflict and frustration', 'growth of security and autonomy' and 'confrontation' or 'storming', 'norming' and 'performing'. The final phase is called 'separation' or 'resolution and recycling'. Interpersonal trust has been identified as central to the success of group processes. The phases of group development can be observed in the farm business group in this study.

The achievement of individual goals such as increased profitability, which is a goal of the farm business group which is the subject of this chapter, usually require a change to practice or behaviour. Support appears to play an important role in the decision to change, in implementing change and in continuing with a new practice once implemented (Kilpatrick, 1996; Rogers, 1995). Models of decision making such as the innovation-diffusion model as described by Rogers (1995) include a final stage which involves support of others. Yet there is a relatively small amount of literature on groups as support networks for changes made by individual members for the purpose of achieving individual goals.

METHODOLOGY

This chapter examines some of the findings from the study of a group of farm business managers who are members of Executive Link™, a 'learning community' which is described below. We observed an Executive Link™ meeting, and conducted a focus group with 15 volunteers. Following the meeting, we developed a semi-structured interview questionnaire which we administered to nine volunteer members at their businesses. The researchers were particularly interested in examining the way group members could develop and maintain a

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'healthy' group and how this assisted individuals in the group to make changes in their lives and their businesses.

What is Executive Link™?

Executive Link™ consists of farm businesses which meet for regular nonformal education and training in several Chapters in eastern Australia. Each Chapter consists of a number of Boards made up of around six member farm businesses and their owner/managers. The Boards provide management advice to their members, who are free to accept or reject that advice.

Members must complete a prerequisite farm management training course. Each meeting has an experiential component based on members' workplace (business) situations, and a training component, usually featuring an external trainer or facilitator. In the first component, farm businesses in each Board share information about the physical and financial performance of their businesses with the intention of learning how to better manage their businesses. Training topics in the second component range widely from self development topics such as positive thinking to management topics such as getting the most out of financial statements.

Most members of Executive Link™, like the majority of Australian farm businesses, are husband and wife partnerships, although multi-generation farm businesses are represented. Typically, all members of the businesses management team attend Executive Link™ meetings. Being a member of Executive Link™ demands being open to change, and requires a demonstrated commitment to training (the prerequisite course). From earlier work on change and training in farm businesses (Kilpatrick, 1996) it is safe to say that the members of Executive Link™ are not typical of Australian farm businesses.

BUILDING SUPPORT NETWORKS

Executive Link™ meetings are structured so as to facilitate learning. The farm management consultants who facilitate the meetings actively seek out and incorporate good practice in adult learning and techniques for working in groups. A major aim of Executive Link™ is to assist its members to make changes in their businesses. Here we focus on the way in which the Boards

build support networks which facilitate change, but first we look briefly at the changes made by member businesses.

Whilst in this chapter we emphasise the role of support and advice which members provide to each other, it must be made clear that advice and information from outside the Board and outside Executive Link™ are also important to the success of the members' businesses. Executive Link™ training sessions and the contributions of the facilitators introduce outside ideas into Executive Link™. These external inputs influence the changes which Executive Link™ members make to their businesses.

Business changes

The business owners attribute the changes they have made to physical and financial management to their participation in Executive Link™. The changes, which can be summarised as better use of inputs, have contributed to an average sixty percent increase in business profitability for all continuing member businesses. A few businesses have moved out of the industry after assessing their situations and their likelihood of medium to long term viability.

The business managers use tools, such as benchmarking, and other knowledge gained from Executive Link™ when making what are often major changes to the way they run their businesses. However, it is the support of fellow members which 'oils' the process of learning and implementing new practices, and which is vital in ensuring that major changes are made. This member sums up the advantage of the support of the group:

> There are so many farmers out there doing lots of work and putting in lots of effort, and just getting nowhere. And with a small amount of training and focussing, and a bit of back up, and a bit of support... it just works so beautifully. [Executive Link™ member 1]

The following quote is from one of a group of Executive Link™ members who helped a fellow member make decisions about a major change in direction for the business. They describe the experience as positive for the group as well as for the member who was helped:

> There was tremendous commitment to... go to that [Board member's] place... We went on a Saturday and most of us were in the middle of shearing... I had to get people to do my work for

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me and the other members of the Board were in the same boat... We just had to do it, and it worked really well and we all gained from it. [Executive Link™ member 4]

There are processes and stages which the groups go through before they become effective support networks. At Executive Link™, the training sessions, structure, rules and procedures for the residential meetings are deliberately designed to create effective groups. The processes are described in our earlier paper (Kilpatrick et al, 1999). There are outcomes of participation in the Executive Link™ for the members as individuals in terms of self-confidence and development of inter-personal communication skills, and outcomes for the Boards which allow them to function as a support network for their members.

A capacity to provide support

The process of building a capacity to operate as a support network emerges from the data. The structure, procedures and rules foster a climate in which all ideas are valued: one member commented that there is no such thing as a stupid question, or a stupid idea. Whilst the structure of Executive Link™ and the deliberate creation/fostering of effective groups assists in building Executive Link™ Boards into support networks, it is possible to identify more generally applicable prerequisites for developing a support capacity. The prerequisites, which follow sequentially, are: (1) a high level of personal self-confidence of the individual members (at least in the context of their group) and a high level of interpersonal communication skills, (2) getting to 'know' each other as individuals, developing shared values and trust, (3) coming to regard each other as credible sources of support and advice, and (4) commitment to the Board and fellow members, or being prepared to 'put in'

1. Personal development: self-confidence and interpersonal communication skill

Before they are able and willing to give effective support to fellow Board members, people must get to know themselves and their own strengths and weaknesses. This member has come to realise that she can contribute useful ideas stemming from her non-farming background. After being in Executive Link™ for about 18 months, she now feels confident to contribute.

> [Executive Link™] gives you a lot more confidence in the decisions that you make.... It really does make you feel as if you're part of something... and that you do have a contribution to make, even if it is just... ideas which are totally non-farming orientated. [Executive Link™ member 6]

Improving interpersonal skills of listening, empathy and being able to take on various roles in the group, such as keeping the group on task and leadership, assists the group's development.

2. Knowing each other

'Getting to know' others, combined with shared experiences during Executive Link™ meetings, establishes a climate of openness in which members feel free to challenge others and are open to constructive criticism. The Boards learn effectively because the members value the climate of openness which encourages the challenging of others' practices.

The Executive Link™ members said that getting to know each other and building trust were necessary before sensitive issues were introduced or discussed by members. Changes in these sensitive areas were the changes that permitted the businesses to make major improvements in performance. Once they got to know each other better, they started to refer fundamental problems or issues to the Board. Members talked about the change in the nature and depth of problems and issues brought to the Boards over time.

> At the first couple of meetings ... everybody was so nice to each other. No-one's got any problems... whereas now, it's going [the Board is working]. The people who didn't have any problems have got the biggest problems. [Executive Link™ member 8]

Knowing others share your outlook helps because it provides support as you go about the overall management and operation of the businesses.

Trust, along with rapport, develops as the groups gets to know each other as people.

> Suddenly I was with a group of people who understood our problems because they all had the same. That was a good feeling... now there is enough trust, trust and care. [Executive Link™ member 3]

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Several members linked trust not only with getting to know their fellow members, but also with an incident where group members are exposed to the criticism of the group, or with a crisis for a member.

> When you get well into it you're pretty exposed, and once you've been exposed you build that trust and then the dynamics start, what you hearing here in some of the older groups you move on from those smaller issues into that deep stuff. [Focus group]

3. Credibility of group/members as sources of support

Board members had to get to know each other before they could regard each other as credible sources of advice and support. Support from Boards as changes were made only came after the members understood each other, and after they developed some shared values and trust.

As people got to know each other, they developed a sense of belonging, and a sense that all group members could make valued contributions. Only at this stage are they are able to decide whether fellow members and the group as a whole are credible as sources of support. That is, whether reassurance, advice or practical help from the Board would be worth accepting. A member attending his second meeting commented that he was unsure how much notice he should take of advice from his Board, whereas this member of 18 months clearly regards his Board as a credible source of information and advice:

> Everyone's got a strength, and why not pool your resources and say "Well, he's good at that, I'll ask him how to do it!" It's a quicker way of finding out than bumbling around trying to do it yourself! [Executive Link™ member 7]

This Executive Link™ member sums up the advantages of having others available for interactive learning who are regarded as credible sources of advice and support:

> You can employ a consultant anytime you like ... but... he only has one point of view. One on one consultancy is never going to be as powerful as the group consultancy because everybody in our Board or in the group has got an area of expertise... So it's got a lot more bang for your buck. [Executive Link™ member 1]

4. Commitment (being prepared to 'put in')

Commitment featured in the focus group and workshop conversations. Commitment reveals the presence of a norm of reciprocity. The existence of commitment to the Board is demonstrated by spontaneous actions which benefit others. One Board helped a member establish a computerised accounting system. Others speak more generally of actions which have helped them as they make changes to their businesses.

> We went to an auction the other day, and we bought this computer for [a fellow member]... [He's] got a lot to offer. These things work both ways... it's a complex web, and I'm sure if you help other people then you might get someone [to help you]. [Executive Link™ member 8]

Several members talked of an unspoken feeling of commitment, which members can draw upon when needed for dealing with difficult times.

Not all the Boards are equally effective relative to others that have been established for the same length of time. The less effective Boards offer less support to their members. This member business is in a Board which does not contact each other between meetings.

> There's an inclination for the Board members to say "you go away and do that". We don't really get in touch with each other and say "how are you getting on, can I help in any way"... We could be a lot better. That's where we need that contact between the meetings. [Executive Link™ member 9]

THE DEVELOPMENT OF A SUPPORT NETWORK: A MODEL

Executive Link™ builds a support network for its members which assists members as they make changes to their business practices. From our observation of Executive Link™, and interviews with its members, the process whereby the Executive Link™ support network develops over time can be illustrated by Figure 1.

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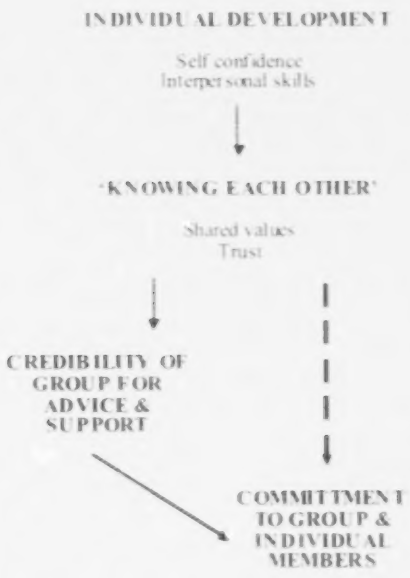
Figure 1: The development of a support network



CONCLUSIONS

Are the support networks of Executive Link™ social capital?

Our examination of Executive Link™, a group of farm businesses that learn together with the objective of making changes in their businesses, reveals that social capital is built by the group. As they learn together, the members generate horizontal social capital, as observed by Putnam (1993) in his study of Italy. The social capital is used as members make changes to their businesses. Consistent with the literature cited (Putnam, 1993; Coleman, 1988), better outcomes result for Executive Link™ members when they use their knowledge and skills along with the knowledge and skills of other members. We suggest that the social capital which 'oils' the change process for Executive Link™ members is knowledge of each others' expertise, other strengths, and weakness, along with recognition that fellow members are credible as sources of support and advice. The social capital manifests itself as a commitment to act for the benefit of fellow members. Several members talked of an unspoken feeling of commitment, which represents a store of social capital which can be drawn upon when needed for dealing with difficult times.

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The structure of Executive Link™ facilitates the development of the support network, first, by systematically developing self confidence and interpersonal skills in training sessions and as the Board members work together, and second, by providing shared experiences in training sessions and Board sessions. There is evidence that Executive Link™ follows the stages of group development described by Corey and Corey (1997), Benjamin et al (1997) and Jacques (1991).

Executive Link™ is an example of a learning community which achieves positive economic outcomes because it is adaptable and willing to change. Member businesses are more resilient because the group acts as a support network that assists businesses as they make changes to take advantage of opportunities and minimise the effects of threats, the change processes use the social capital of the community. Members are committed to the group, there is a norm of reciprocity that leads to spontaneous actions for the benefit of others.

While the development of support structures which assist people to make change are recognised as being important, the potential for these structures to be duplicated for other business groups may be limited. The highly structured nature of Executive Link™, the high level of commitment and the recognition by participants of the need to change are significant factors in its success. Further work is needed to ascertain how the process described here whereby Executive Link™ members develop their support network can be transferred to other settings.

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